

1. **General information from the IDB Invest environmental and social review.** IDB Invest assessed Banco PICHINCHA's capacity to manage the environmental and social risks associated with its wholesale banking portfolio. The following documents were reviewed: (i) 2017 Annual Environmental and Social Performance Report; and (ii) M-001-2015 - Manual of the Environmental and Social Risk System (SIGRAS), version 2.0, 2016. The review further included a phone call with Environmental Risk and Economic Environment Specialist, José Cervantes, who answered questions that had been previously formulated via email regarding the environmental and social risk management of the wholesale banking portfolio.
2. **Environmental and social classification and rationale.** This project is a category FI-2 operation pursuant to IDB Invest's environmental and social policies because the current and future subproject portfolio is medium risk. Banco PICHINCHA has an environmental management system for its small and medium-sized [enterprise] portfolio.
3. **Environmental and social risks and impacts.** The project's main environmental and social risks have to do with how diverse Banco PICHINCHA's microfinance portfolio is, with services and products provided to four market segments: 45% small and medium-sized enterprises; 31% consumption (geared toward low- and medium-income segments); 15% mortgages; and 9% microenterprises. The portfolio's wholesale banking sectors range from: (i) Agriculture and livestock; (ii) food and beverages; (iii) trade; (iv) communications; (v) construction; (vi) education; (vii) electricity, gas, and water; (viii) financial; (ix) industry; (x) metal and machine industry; (xi) mining; (xii) natural persons; (xiii) chemical; (xiv) services; (xv) textiles; and (xvi) transportation. Banco PICHINCHA has the internal capacity to identify and manage the environmental and social risks associated with its wholesale banking portfolio. Analysis of environmental and social aspects is governed by the procedures and responsibilities for granting lines of credit for wholesale banking products in accordance with the guidelines of the Environmental and Social Risk Management System (SIGRAS), which apply to all operation financing requests from Banco PICHINCHA's wholesale banking clients, that is, operations using Bank resources as well as those using external funds. The implementation, monitoring, and ongoing improvement of SIGRAS falls to the Office of the Vice President and Manager for Risk. All staff with SIGRAS-related responsibilities are trained on how to apply the Manual.
4. **Mitigation measures.** SIGRAS consists of: (i) A list of excluded activities; (ii) definition of an unwanted activity; (iii) identification of clients in sectors exposed, or highly-exposed, to environmental and social risks; (iv) environmental and social classification (A, B, and C); (v) environmental and social checklist (required for Categories A and B) containing a list of questions related to the client's social and environmental performance, and based upon which the Wholesale Banking Risk Officer offers opinions and/or recommendations on mitigation and/or monitoring actions to pursue. As part of its risk policy, Banco PICHINCHA has devised a list of activities banned from financing in line with those specified on IDB Invest's List of Excluded Activities, as well as with applicable domestic environmental and social legislation and IDB Invest's Sustainability Policy. Banco PICHINCHA staff responsible for the environmental and social analysis of loans must attend the environmental and social risk management workshop for financial intermediaries and/or receive similar training from the SIGRAS Coordinator.
5. **Environmental and Social Action Plan**

#### Item Proposed action

#### Deliverable

#### Deadline

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| 1 | All loans granted with IDB Invest funds comply with IDB Invest's List of Excluded Activities | List of Excluded Activities included in the SIGRAS risk policy and regulation | Signing of the loan contract |
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2	Ensure the applicability of domestic environmental and social legislation germane to each wholesale banking operation and the IDB Invest Sustainability Policy.	Environmental and social checklist for Category A and B clients	As from 2019
3	Banco PICHINCHA staff responsible for the environmental and social analysis of loans must take the online environmental and social risk management for financial intermediaries course and/or receive similar training from the SIGRAS Coordinator.	Proof of attendance	As from 2019
4	Include an Environmental and Social Plan of Action for clients (Category A and B), as the case may be, after loan proposals are examined; and, monitoring of compliance therewith will necessarily be done.	Environmental clauses in leasing and medium-term contracts with covenant	As from 2019
5	Submit annual monitoring reports for the highest-risk clients.	Evidence in the Environmental and Social Monitoring Report - SIGRAS	As from 2019
6	Recommend the use of best industry practices guides, where appropriate.	Inclusion of guides in SIGRAS	As from 2020
7	Present an annual environmental report each year to inform IDB Invest about progress and/or improvements in the use of the Environmental and Social Risk Management System (SIGRAS) in wholesale banking, as well as about issues identified with respect to implementation of that system.	Environmental and Social Compliance Report	As from 2020

## Contact Information

For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.